

STATE OF WASHINGTON



OFFICE OF
INSURANCE COMMISSIONER

<i>In the Matter of</i>)	
)	No. G 2000 - 66
)	
The Market Conduct Examination of)	FINDINGS, CONCLUSIONS, AND
Reliance Insurance Company (#24457),)	ORDER ADOPTING REPORT
Reliance National Insurance Company)	
(#40592), Reliance Direct Insurance)	
Company (#10681), Reliance Surety)	
Company (#41980) & Reliance Standard)	
Life Insurance Company (#68381).)	

BACKGROUND

An examination of the market conduct of Reliance Insurance Company and Affiliates (the Company) for the period July 1, 1999, to February 29, 2000, was conducted by market conduct examiners of the Washington State Office of the Insurance Commissioner. The Company is an insurer authorized under RCW 48.05.030. This examination was conducted in compliance with the laws and regulations of the State of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the Office of the Insurance Commissioner. This examination was limited to Advertising; Agent Licensing; Cancellation, Non-Renewal, and Decline to Write; Claims; Complaints; Rate and Form Filings; and Underwriting and Rating.

The examination report with the findings and recommendations was transmitted to the Company for their comments on September 8, 2000. Response to the draft report was received on October 16, 2000.

The Commissioner or a designee has considered the report, the relevant portions of the examiner workpapers, and the submission by the Company. The report was modified to reflect new information provided by the company in their response to the draft report.

Subject to the right of the Company to demand a hearing pursuant to chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

The Commissioner adopts as findings the findings of the examiners as contained in the report.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the market conduct of the Company.

ORDER

The examination report as filed, attached hereto and incorporated by reference, is hereby ADOPTED as the final examination report.

It is ORDERED that the Company comply with the Instructions in the Report as follows (the page and other references are to the report):

1. The companies are instructed to comply with RCW 48.05.190(1) and establish procedures that ensure policy documents and correspondence correctly identify the legal name of the insuring company. (Pages 9,11,13,16)
2. The companies are instructed to comply with RCW 48.17.160(1) and to ensure that all agents are licensed and appointed prior to the sale of any policies. (Page 8)
3. The companies are instructed to comply with RCW 48.18.100(1) which states in part that no insurance policy form or endorsement shall be issued, delivered or used unless it has been filed and approved by the insurance commissioner. (Page 11)
4. The companies are instructed to comply with RCW 48.18.140(2)(c) & (f) which specifies that an insurance policy shall specify among other items, the risk is insured against and the conditions pertaining to insurance. (Page 11)
5. The companies are instructed to comply with RCW 48.18.190 which provides that no agreement, modification or extension of a contract for insurance shall be valid unless it is in writing and made a part of the contract. (Pages 11 & 12)

6. The companies are instructed to comply with RCW 48.19.040(6) and always issue their policies in accordance with their filings. (Pages 12, 13 & 14)
7. The companies are instructed to comply with RCW 48.22.030(3) & (4) by providing underinsured motorist coverage equal to the insured's third party liability unless the insured rejects all or part of the coverage in writing. (Page 12 & 14)
8. The companies are instructed to comply with WAC 284-24-070(1)-(5) by retaining the documented underwriting analysis of specific items in the underwriting file as defined in the regulation. (Page 12)
9. The companies are instructed to comply with WAC 284-24-100(1)-(7) by following all documentation requirements, applying the approved schedule rating plan only to eligible risks and not combine this plan with any other plan as to exceed the 25% cap. (Page 13)
10. The companies are instructed to comply with WAC 284-30-560 by ensuring all binders identify the correct insuring company name on the binder. (Page 13)
11. The companies are instructed to comply with RCW 48.22.085 by offering personal injury protection coverage unless the insured rejects the coverage in writing. (Page 14)
12. The companies are instructed to comply with RCW 48.18.291(2) and not cancel personal auto insurance that has been in force for sixty days or more unless the driver's license of the insured or principle operator has been revoked or suspended. (Page 15)
13. The companies are instructed to comply with WAC 284-30-570 to ensure notices of non-renewal or cancellation sent to the insured are in clear simple language that requires no additional research for the insured to understand the action. (Page 15)
14. The companies are instructed to comply with RCW 48.03.030(1), which requires an insurer being examined to produce and make freely accessible all files and documents that relate to the subject of the examination. (Page 16)
15. The companies are instructed to comply with WAC 284-30-330(2), which requires insurers to acknowledge and act reasonably promptly upon notice of a loss. (Page 17)
16. The companies are instructed to comply with WAC 284-30-330(16) and adopt and implement reasonable standards for the processing and payment of claims (Page 17)
17. The companies are instructed to comply with WAC 284-30-340 to ensure claim files contain all required work papers and log notes. (Page 17)

18. The companies are instructed to comply with WAC 284-30-350(1) insurers and their agents must fully disclose to first party claimants all pertinent benefits of a policy under which a claim is presented. (Page 17)
19. The companies are instructed to comply with WAC 284-30-360(1) and (3) to ensure timely responses to notice of claim and pertinent correspondence. (Page 17)
20. The companies are instructed to comply with WAC 284-30-370 to investigate all claims within 30 days unless it cannot reasonably be completed within this timeframe. (Page 18)
21. The companies are instructed to comply with WAC 284-30-380, which requires the companies, must accept or deny claims within 15 working days after receiving a proof of loss. (Page 17)
22. The companies are instructed to comply with WAC 284-30-390(1)(a)(b)(i-ii) and (c) when establishing the market value of total loss vehicles, including payment of all applicable taxes and license fees. (Page 18 & 19)
23. The companies are instructed to comply with WAC 284-30-395(1) by sending a written explanation of Personal Injury Protection coverage and limitations as required. (Page 19)

The companies are instructed to comply with RCW 46.12.070 and WAC 308-58-020 (1) by notifying the Department of Licensing about total loss vehicles as required. (Page 19)

ENTERED at Lacey, Washington, this 11th day of December, 2000.

DEBORAH SENN
Insurance Commissioner

By:

WILLIAM E. FRANSEN
Deputy Commissioner